

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 AID-05 EB-08 NSC-05 TRSE-00
SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03
INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01
DODE-00 NSCE-00 SSO-00 USIE-00 INRE-00 /074 W
-----221159Z 065012 /21

O R 221141Z APR 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 1050

INFO AMCONSUL OPORTO

C O N F I D E N T I A L LISBON 3175

E.O. 11652: GDS

TAGS: EINV, PO

SUBJECT: ITT DEVELOPMENTS

REF: LISBON 2866

1. ITT VICE PRESIDENT LUKE EMT AGAIN WITH GOP MINISTER OF
INDUSTRY NOBRE DA COSTA ON APRIL 21 TO DISCUSS ITT PROBLEM.
SECRETARY OF STATE FOR INDUSTRY SANTOS MARTINS AND THE ITT
MANAGERS OF THE SHERATON, HOTEL, IMPRIMARTE, AND OLIVA ALSO
ATTENDED.

2. ACCORDING LUKE, MEETING WENT WELL AND HE IS ENCOURAGED.
ANOTHER MEETING WAS SCHEDULED FOR MAY 19 WHEN IT MAY BE POSSI-
BLE TO SIGN AN AGREEMENT IN PRINCIPLE. GOP AGREED TENTATIVELY
TO START DISCUSSION ON LONG-TERM CONTRACT FOR IMPRIMARTE AND
ON PERMITTING INCREASE IN SHERATON HOTEL RATES. WITH REGARD
TO CONTENTIOUS COMPENSATION ISSUE, LUKE STATED THAT GOP HAD
AGREED TENTATIVELY TO ASSUME RESPONSIBILITY FOR \$5 MILLION
LOAN TO GERMAN BANK AND WOULD TRY TO PERSUADE PORTUGUESE
BANKING SYSTEM TO LEND FUNDS TO PAY ITT INTERCOMPANY
PAYABLES OVER THREE-YEAR PERIOD. GOP REAFFIRMED ITS DESIRE
TO RETURN RABOR TO ITT AND THEN LET IT GO BANKRUPT.

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3. WITH REGARD TO OLIVA FINANCIAL SITUATION, LUKE REPORTS
THAT BANKS STILL HAVE NOT RESUMED PROVISION OF CREDIT. OLIVA
PAID \$600,000 MARCH WAGE BILL, BUT PART OF PLANT IS
PARALYZED FOR LACK OF RAW MATERIAL. ACCORDING LUKE, NOBRE
DA COSTA ADVISED THAT OLIVA SHOULD UNILATERALLY TERMINATE
SALARY PAYMENTS IF NO WORK IS AVAILABLE.

4. COMMENT: LUKE'S REPORT OF MEETING IS ENCOURAGING.
NOBRE DA COSTA APPEARS TO HAVE CONCEDED SIGNIFICANT GROUND
ON SOME ISSUES, E.G. IMMEDIATE PAYMENTS TO ITT FOR COMPANY
DEBTS AND CONCRETE MEASURE TO IMPROVE FINANCIAL VIABILITY.
IN ADDITION, LUKE SOUNDED LESS ANXIOUS THAN IN PAST,
ALTHOUGH IT SHOULD BE NOTED COMMATT HAD ONLY A SHORT
CONVERSATION AND LUKE ALREADY HAD HIS MIND ON NEGOTIATIONS
IN SOUTH AFRICA ON APRIL 22-23.
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Message Attributes

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